

Service Date: February 10, 1987

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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In the Matter of the Application)	
of PACIFICORP dba PACIFIC POWER &)	UTILITY DIVISION
LIGHT COMPANY for an Order)	DOCKET NO. 87.1.4
authorizing it to issue and sell)	DEFAULT ORDER NO. 5255
not more than \$150,000,000 of its)	
No Par Serial Preferred Stock.)	

On January 26, 1987, PacifiCorp dba Pacific Power & Light Company (Pacific) , a corporation organized and existing under and by virtue of the laws of the State of Maine and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507 , MCA, requesting an order authorizing Pacific to issue and sell, in one or more public offerings prior to December 31, 1988, not more than \$150,000,000 in aggregate principal amount of its No Par Serial Preferred Stock (Preferred Stock).

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of Pacific's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena, Montana, on February 9, 1987, there came before the Commission for final action the matters and things in Docket No. 87.1.4, and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. Pacific is a corporation organized and existing under and by virtue of the laws of the State of Maine and is qualified to transact business in the State of Montana.

2. Pacific is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric and water service in Montana.

3. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.

4. Notice of the application was published as a part of the Commission's regular weekly agenda.

5. Pacific proposes to sell, in one or more public offerings prior to December 31, 1988, not more than \$150,000,000 in aggregate principal amount of its No Par Serial Preferred Stock. The number of shares issued will depend upon the stated value assigned to each share with the aggregate stated value not to exceed \$150,000,000.

6. As its initial offering under this docket, Pacific proposes to issue 750 shares of Preferred Stock, \$100,000 stated value, entitled Dutch Auction Rate Preferred Stock (DARTS) . The DARTS will be issued and sold in an underwritten public offering co-managed by Salomon Brothers and Goldman Sachs.

7. The dividend rate on the Preferred Stock will be fixed or floating as determined by Pacific's Board of Directors, following negotiations with the underwriters.

8. Dividends on the shares of DARTS will be cumulative from the Date of Original Issue and will be payable, when, as and if declared by the Board of Directors of Pacific out of funds legally available therefor, commencing on the date specified in the Prospectus Supplement relating to the shares and on the last day of successive 49-day periods thereafter, subject to certain exceptions. Current dividend rates for auction rate preferred stock with ratings similar to Pacific's are in the range of 4.5 to 5.5 percent.

9. The Preferred Stock will be issued pursuant to the applicant's Restated Articles of Incorporation, as amended; will constitute one or more new series of a class of the applicant's authorized Preferred Stock; will be entitled to cumulative dividends, redemption at the stated value plus premia (if any), liquidation preference rights, and voting rights as determined by the

applicant's Board of Directors following negotiation with the underwriters or following receipt of competitive bids from the underwriters. Otherwise, the Preferred Stock will have the same rights, terms, and characteristics as the outstanding series of the applicant's Preferred Stock. These rights, terms, and characteristics are set forth in the applicant's Restated Articles of Incorporation, as amended.

10. The holders of Preferred Stock are entitled to receive, when and as declared by the Board of Directors, out of legally available funds, cumulative cash dividends at the annual rates fixed for the respective series, payable on such dividend payment dates as may be fixed for any series by the Board of Directors.

11. If the dividends on the shares of Preferred Stock of each class and series are not paid in full, the shares of Preferred Stock of each class and series shall share ratably in the payment of dividends including accumulations, if any, in accordance with the sums which would be payable on such shares if all dividends were declared and paid in full.

12. Unless and until full cumulative dividends on the Preferred Stock for all past dividend periods and for the current dividend periods shall have been paid, or declared and set apart for payment, no dividends (other than stock dividends) shall be paid or declared on Common Stock and no money (other than the net proceeds from the sale of Common Stock) shall be set aside or applied to the purchase of Common Stock.

13. Pacific expects to issue the preferred Stock from time to time prior to December 31, 1988. Pacific expects to issue the DARTS in March 1907. The DARTS will have a perpetual term. Preferred Stock subsequently offered may be perpetual or have a sinking fund as required by market conditions at the time of issue.

14. Offering, issuance, and administrative costs are expected to be less than 1.70 percent for the Preferred Stock. In addition, Pacific may pay an annual remarketing fee of 0.25 percent to pay for subsequent auctions of the Preferred Stock.

15. The expected results of the offering and sale of the Preferred Stock is as follows:

ESTIMATED RESULTS OF THE FINANCING

	<u>Total</u>	<u>Per \$100</u>
Gross Proceeds	\$150,000,000	\$100.00
Less: Underwriting Fees		
Approximately 1.35%*	\$ <u>2,025,000</u>	\$ <u>1.35</u>
Proceeds Payable to Pacific	\$147,975,000	\$ 98.65
Less: Other Issuance Expenses	<u>525,000</u>	<u>0.35</u>
Net Proceeds to Pacific	\$147,450,000	\$ 98.30

*Assumes the level of fees associated with the issuance of DARTS that Pacific proposes as its initial offering under this docket.

16. The net proceeds of the issuance will be used to reimburse Pacific's treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities. The funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by Section 69-3-501 MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

CONCLUSIONS

The proposed issuance of preferred Stock to which the application relates will be for lawful objects within the corporate purposes of Pacific. The method of financing is proper.

The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

Assumes the level of fees associated with the issuance of DARTS that Pacific proposes as its initial offering under this docket.

1. The application of PacifiCorp dba Pacific Power & Light filed on January 26, 1987, for authority to issue and sell, in one or more public offerings prior to December 31, 1988, not more than \$150,000,000 in aggregate principal amount of its No Par Serial Preferred Stock, pursuant to Sections 69-3-501 through 69-3-507, MCA, and to use the proceeds for normal utility purposes, is approved.

2. PacifiCorp dba Pacific Power & Light Company shall file the following as they become available:

- a. The "Report of Securities Issued" required by 18 CFP 34.10.
- b. Verified copies of any agreement entered into in connection with the issuance of Preferred Stock pursuant to this order.
- c. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this order.

3. Issuance of this order does not constitute acceptance of PacifiCorp dba Pacific Power & Light Company's exhibits or other material accompanying the application for any purpose other than the issuance of this order.

4. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.

5. Section 69-3-507, MCA, provides that neither the issuance of securities by Pacific Corp dba Pacific Power & Light Company pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the

State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

6. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 9th day of February, 1987, by a
5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.